



Creating for the Future

Innovating new ideas today. Becoming the norms of tomorrow.

~ SWCC value creation stories ~
Future business growth and capital strategy

December 18, 2023

SWCC Corporation

TSE PRIME : 5805

Speaker



Managing Executive Officer

In charge of Management Strategy

Tetsuo Komata



Executive Officer

In charge of Capital Strategy

Toshiharu Kamijo



Outside Director

Member of the Audit Committee Chairman of the Nomination and Remuneration Committee

Yuji Sakakura

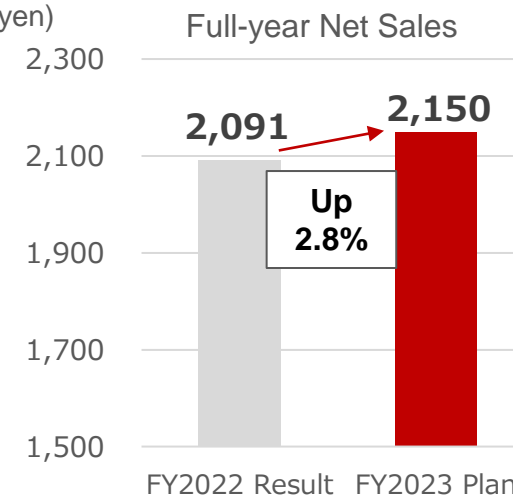
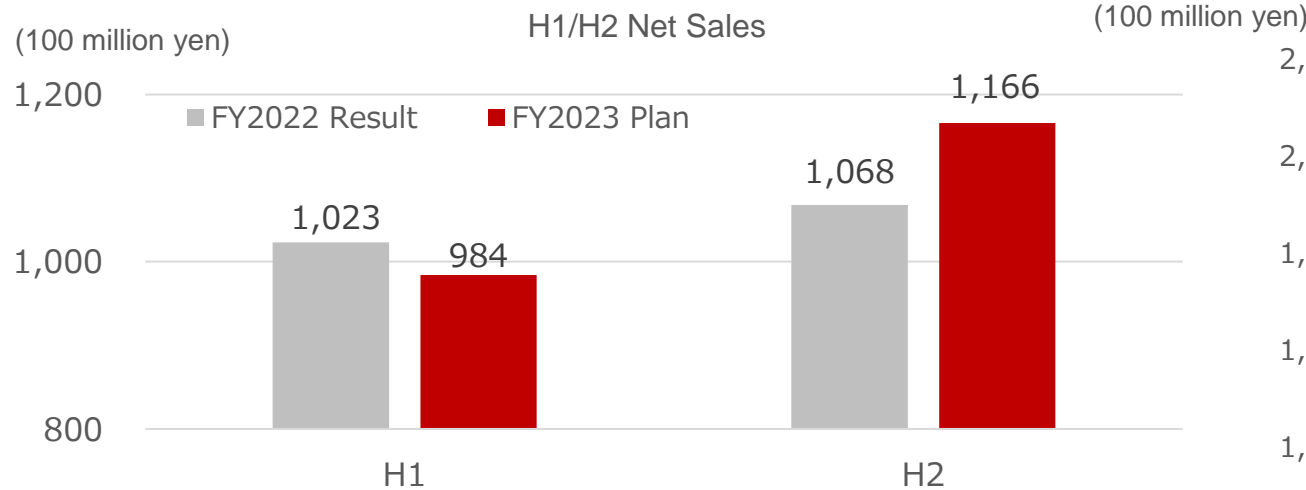
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1 . Our growth strategies

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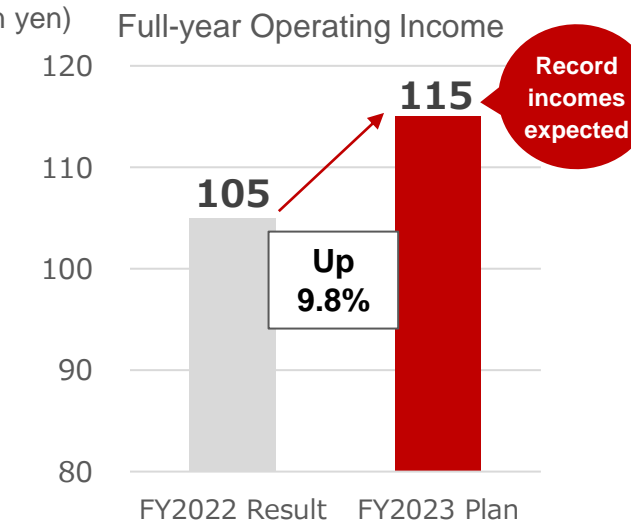
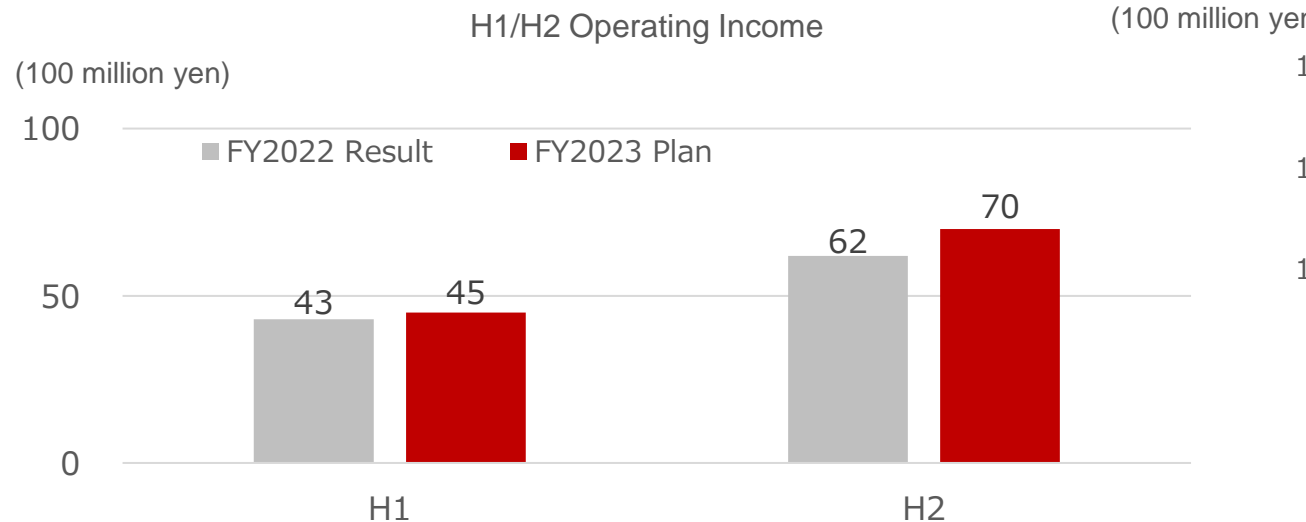
3 . Our growth and capital strategy from the perspective of our external directors

FY2023 Full-year Forecasts (After Upward Revision)



Ordinary Income

11.5 billion yen
(YoY: 10.6% increase)



Net income attributable to owners of parent

7.5 billion yen
(YoY: 20.3% decrease)

Dividend/Payout ratio

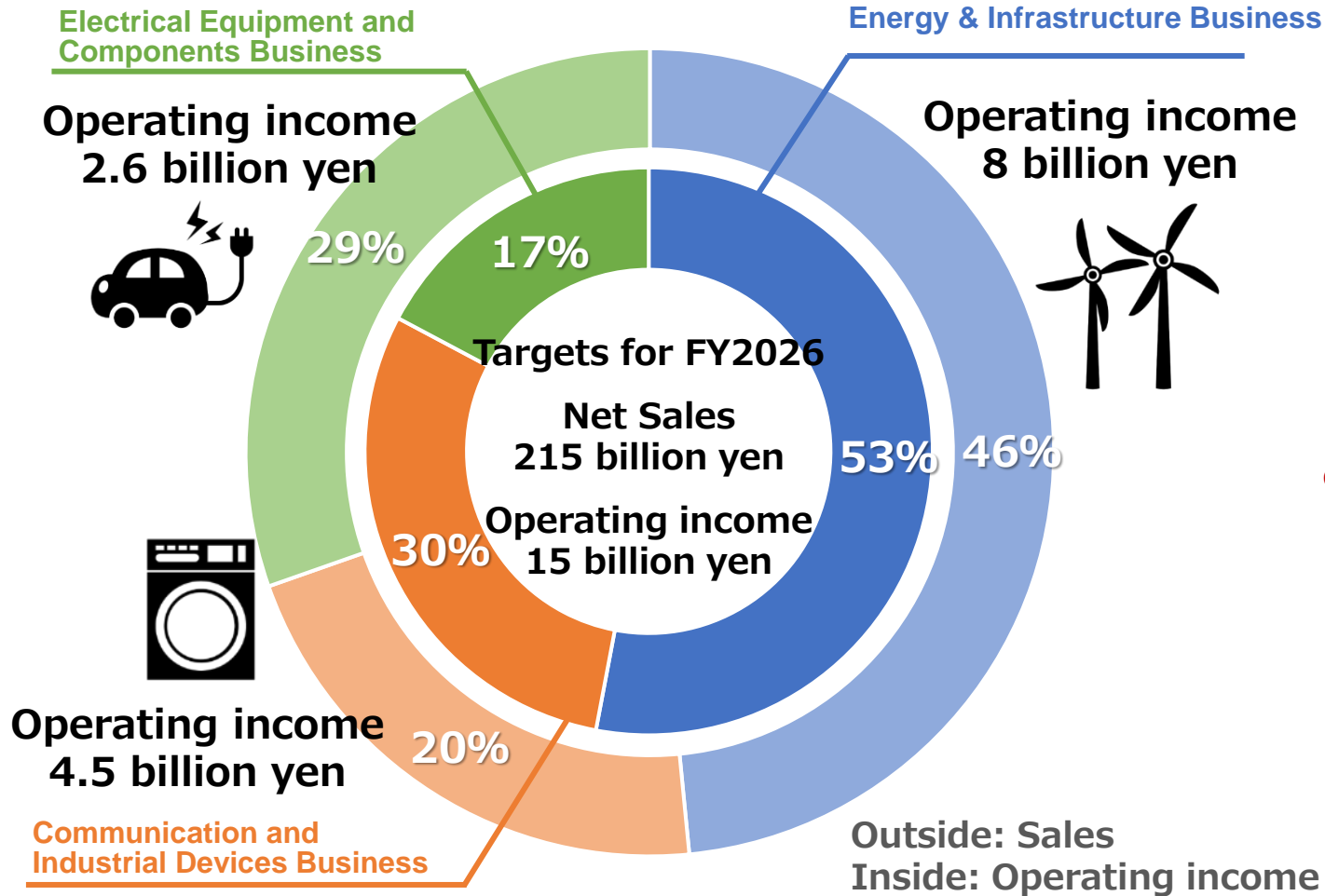
75 yen/30%
(YoY: 15 yen increase)

Interim: 35 yen, Year-end: 40 yen
Total: 75 yen

Final year target of the medium-term management plan

Sales and operating income composition ratio / Financial strategy

< Composition ratio >



< Financial strategy >

Increase in corporate value
ROE of 10% or more,
Market capitalization of 100 billion yen or more,
P/B ratio of 1x or more

Cash allocation

<p>Growth Investment Growth investment 20 billion yen Human capital investment R&D Expenditure Expansion</p>	<p>Shareholder Returns To achieve an annual dividend of at least 120 yen per share by the year ending March 31, 2027</p>
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Improvement of Financial Base and Profitability

<p>Improve capital efficiency Deepen ROIC/CF management</p>	<p>Ensure financial soundness Optimal capital structure, obtaining credit ratings</p>
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Business Investment Aimed at Achieving the Medium-Term Business Plan and Profit Contribution Timeline

Business investment 5-year total for FY2022 - FY2026

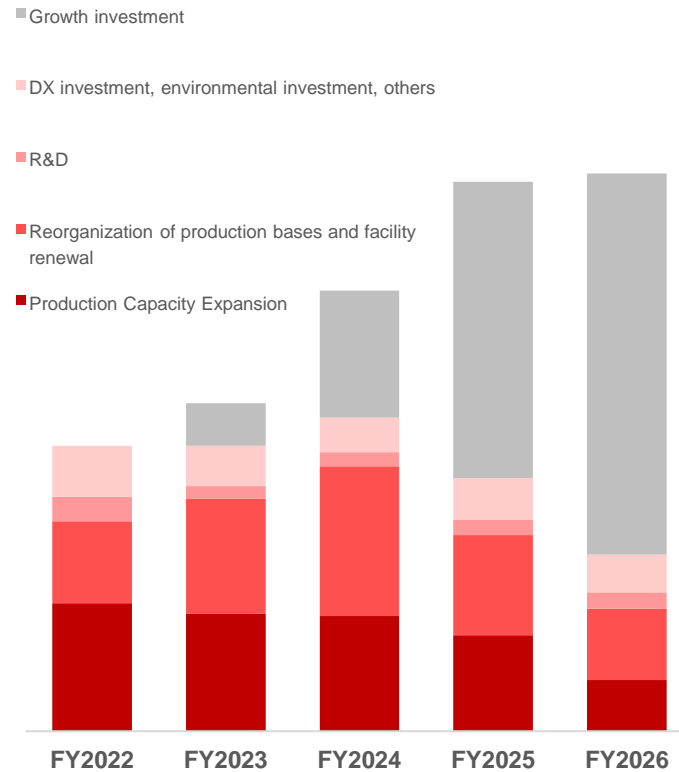
Investment in business enhancement and DX with a focus on growth-driving businesses **31.0 billion yen**

<Breakdown>

Production capacity expansion: 12.0 billion yen
 Reorganization of production bases and facility upgrades: 12.2 billion yen
 Research and Development: 2.0 billion yen
 DX investment, environmental investment, others: 4.8 billion yen

Growth investment (BD Strategy) **20.0 billion yen**

※ BD (Business Development) Strategy
 Expand business into new markets and new areas based on core technologies



Profit plan

Operating income 10.5 billion yen

Operating income 15 billion yen

FY2022

FY2026

Growth strategies and investment enhancement in the power infrastructure business

SICONEX



Facility capacity before and after completion of investment in increased production

Manufacturing capacity can be doubled through increased productivity and personnel reinforcement

Capacity of facilities undergoing investment in increased production.

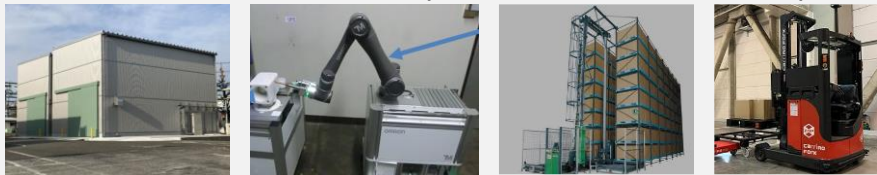
1.5x

Post-completion Equipment capacity

FY2023 — FY2024 — FY2025 — FY2026

Production efficiency improvement initiatives

(Automatic product dispensing equipment, Automated warehouses, Unmanned forklifts, etc.)



Pre-rolling investment plan

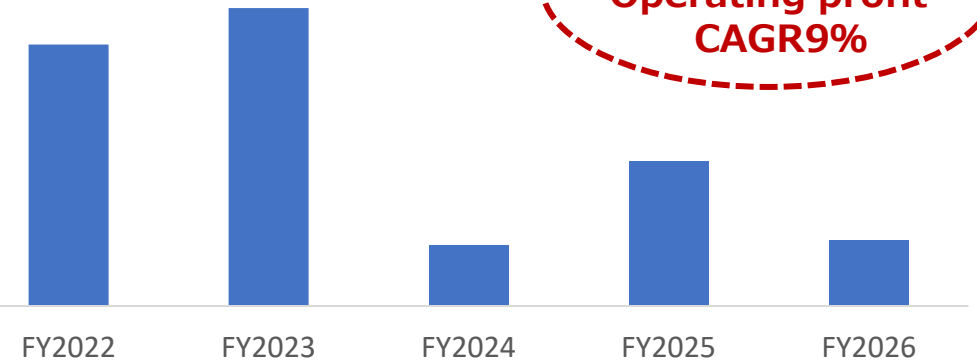
< Rolling point >

Increased demand for SICOPUS® is leading to consideration of the need for additional investment to increase production

Cumulative investment 2.4 billion yen

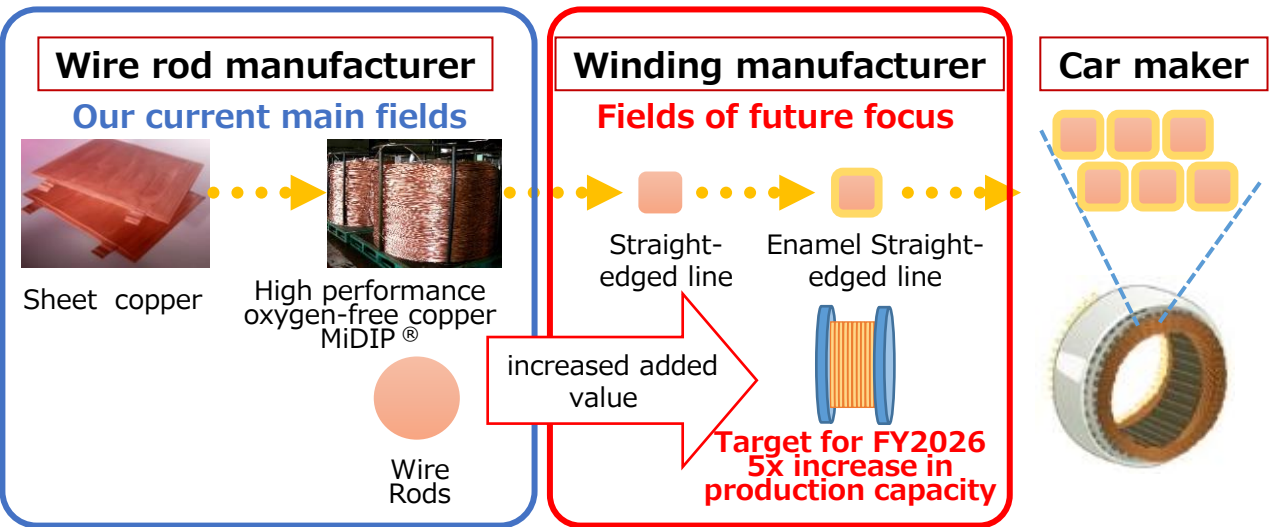
Concentrated investment Period

FY22-FY26
Operating profit
CAGR9%



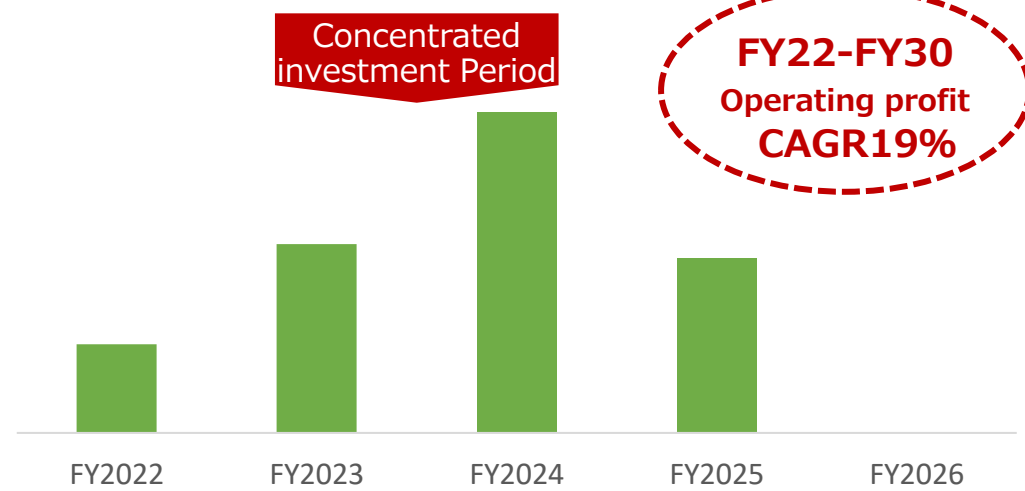
Growth strategies and investment enhancement in the winding business

Shift to more profitable business models




Pre-rolling investment plan
 < Rolling point >
 Additional investment in increased production of high-performance windings is being considered.

Cumulative investment **2.7 billion yen**



Introduction of production innovation lines

- MI** Development of varnishes compatible with high-speed baking furnaces
- PI** Search for optimum manufacturing conditions



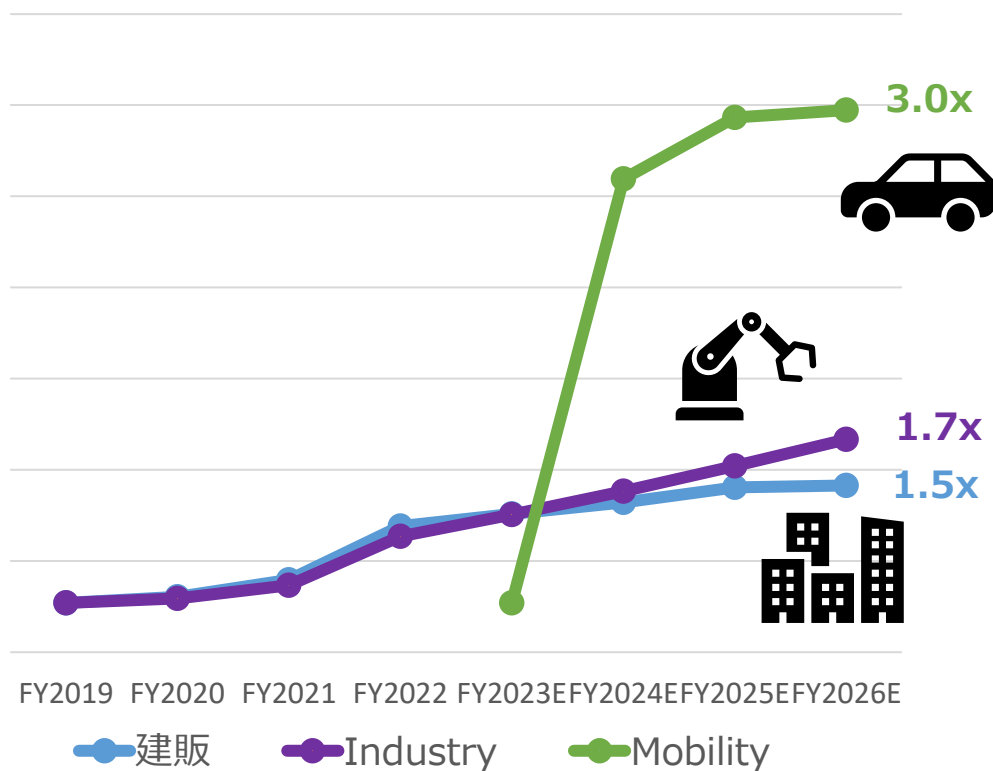
CO₂ emission 57% cut **Energy efficiency 2x more** **Equipment installation costs 25% cut** **Speed 3x**

Profit margin improvement Double the effectiveness

Growth strategies and investment enhancement in the communication business

FLANTEC® Sales growth trends

(Estimated as 100 before Corona※)



※ Mobility sales are estimated at 100 for FY2023, as it will be generated from FY2023.

Pre-rolling investment plan

< Rolling point >

Strong sales of FLANTEC® have led to consideration of the need for additional investment to increase production

Cumulative investment 1.2 billion yen

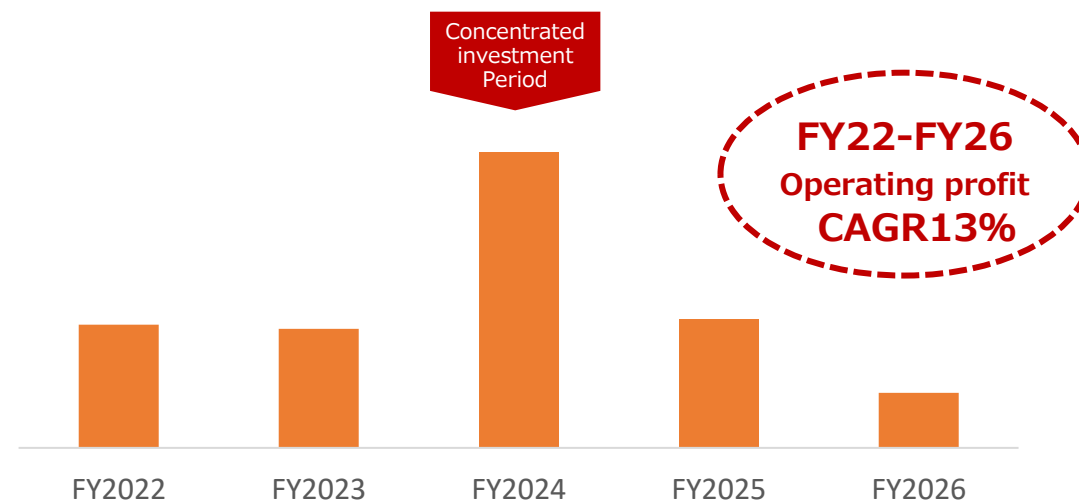


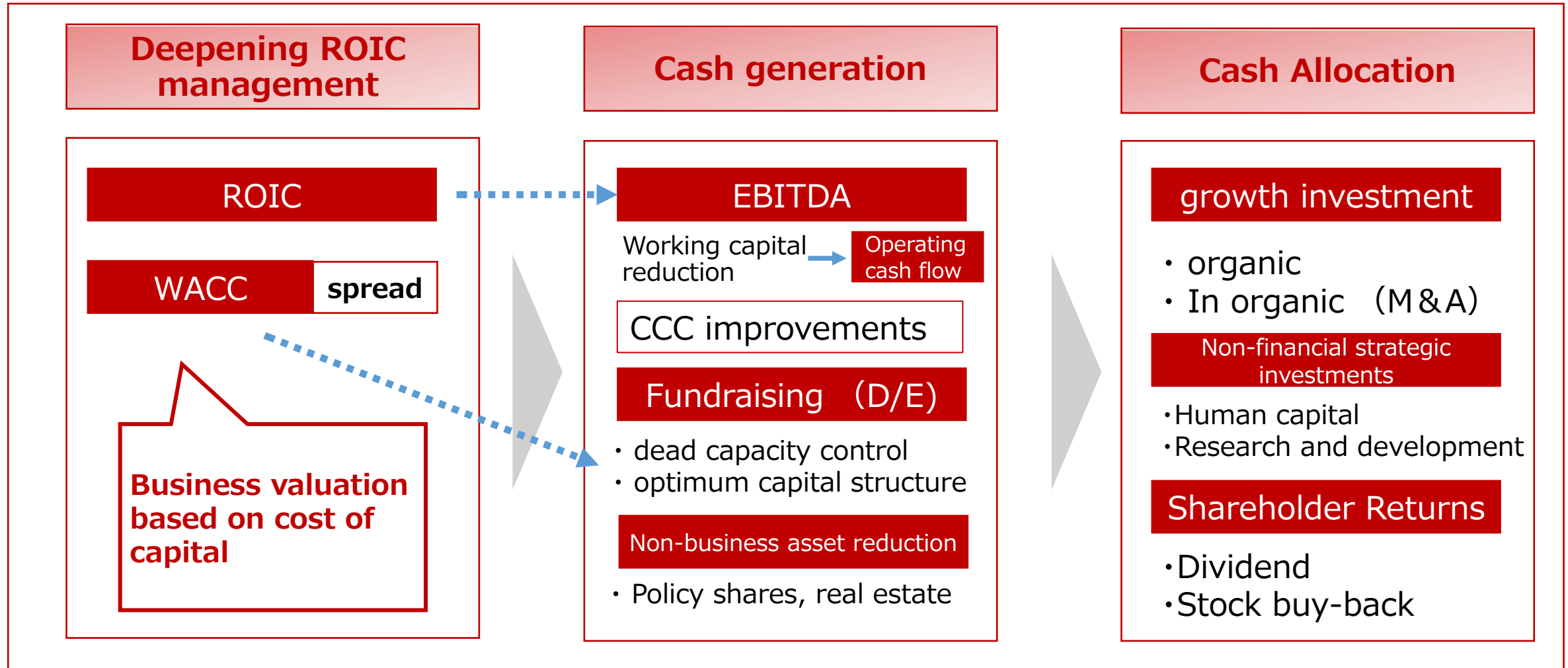
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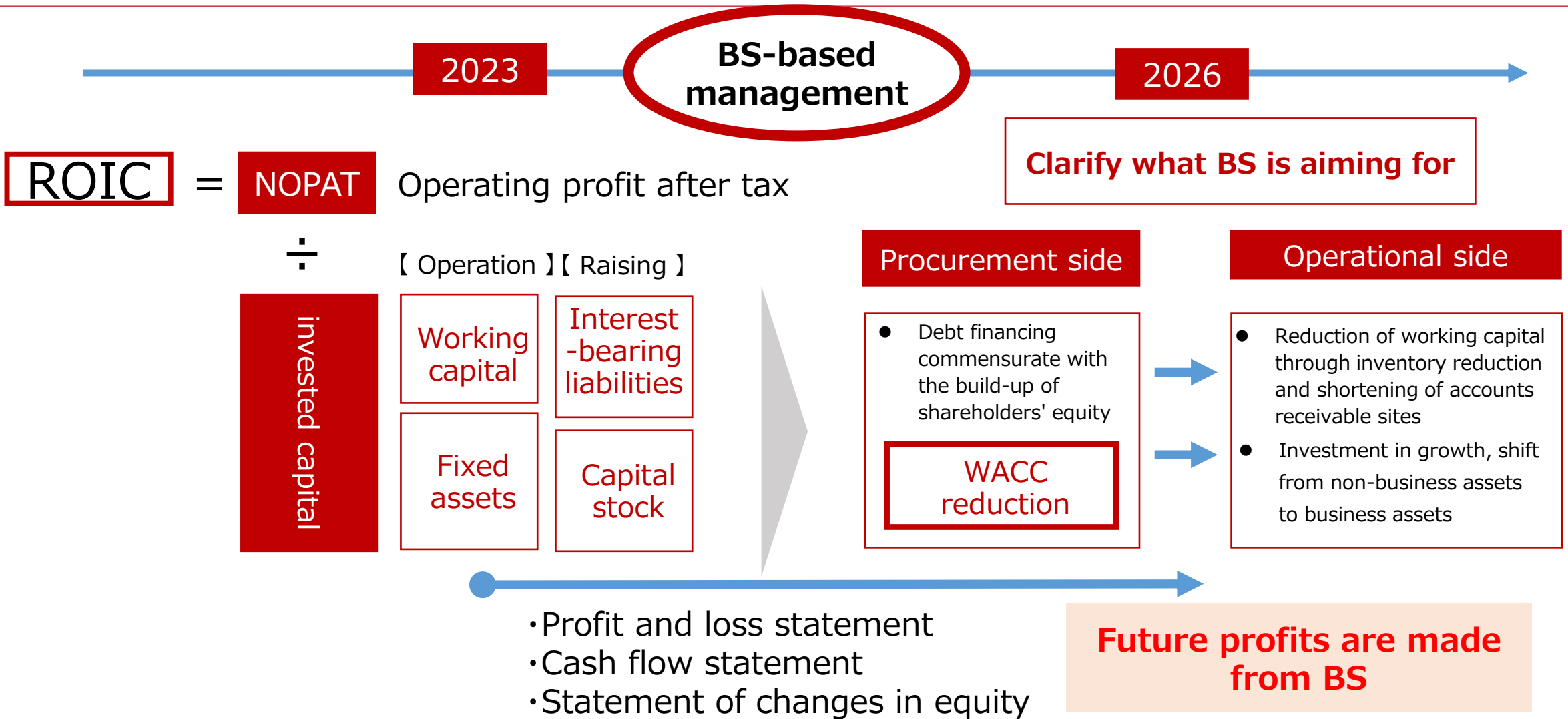
2 . Our capital strategy

3 . Our growth and capital strategy from the perspective of our external directors

Basic financial and capital strategy



Balance sheet management



Ensuring financial discipline

- D/E ratio falls to below 0.5 because of revenue build-up
- Capital adequacy ratio rising towards 50%



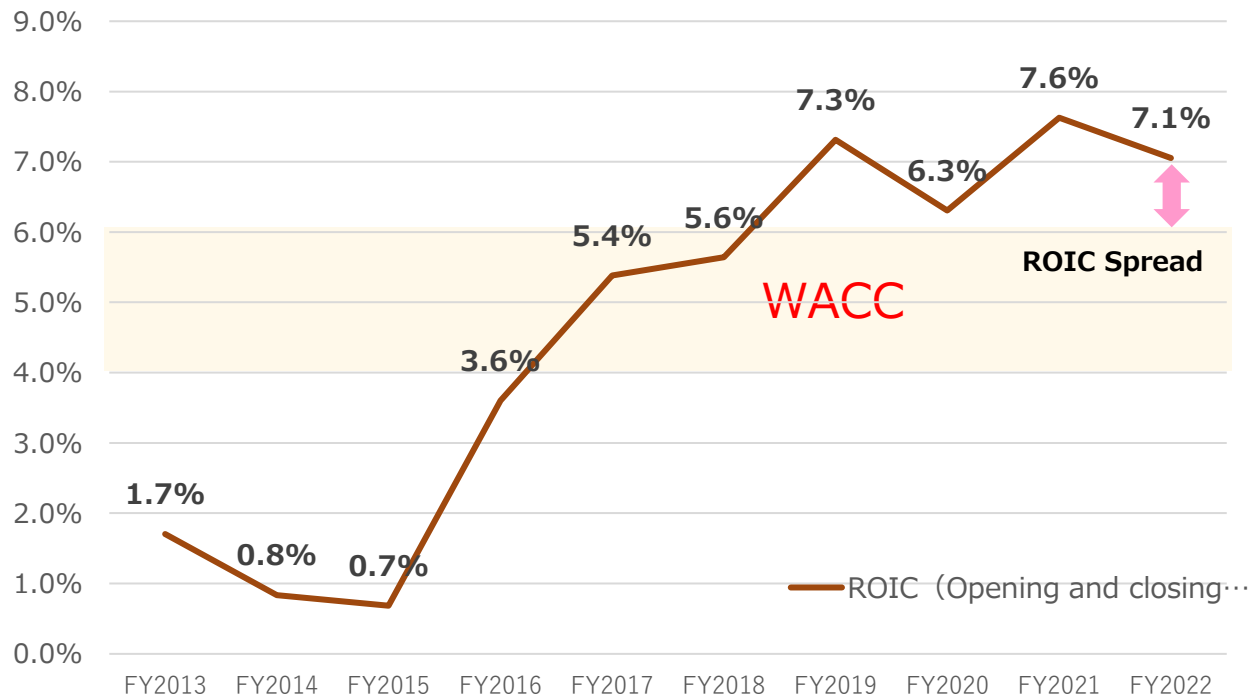
Financial discipline is needed to avoid falling back on the past

Consideration of obtaining a rating

- Positioned as a financial target to balance growth strategy and financial discipline
- Diversify funding sources and reduce funding costs
 - Acquisition of a rating enables direct financing, such as the issue of bonds or commercial paper
 - Basel regulations make the credits of rated companies less credit risky when banks calculate their capital ratios.

Concept of optimal capital structure

Trends in our ROIC



- Current WACC levels range from 4-6%
- ROIC remains around 7%
- ROIC spread of 2% when WACC is set at 5%



- WACC is expected to rise to around 7% during the medium term
- ROIC also increased from 7% to 10%
- ROIC spread to around 3% (1.5x)

Concept of optimal capital structure

Unit: 100 million yen	2020 Actual	2021 Actual	2022 Actual	2023 Plan	2026 Mid-term Plan
Operating income	76	100	105	115	150
Operating income ratio	(4.7%)	(5.0%)	(5.0%)	(5.3%)	(7.0%)
Net income	50	94	94	75	100

Net income per share (yen)	166.5	313.4	315.0	250.7	334.7
Dividend per share(yen)	20.0	50.0	60.0	75.0	120~
Dividend payout ratio	12%	16%	19%	30%	35%~

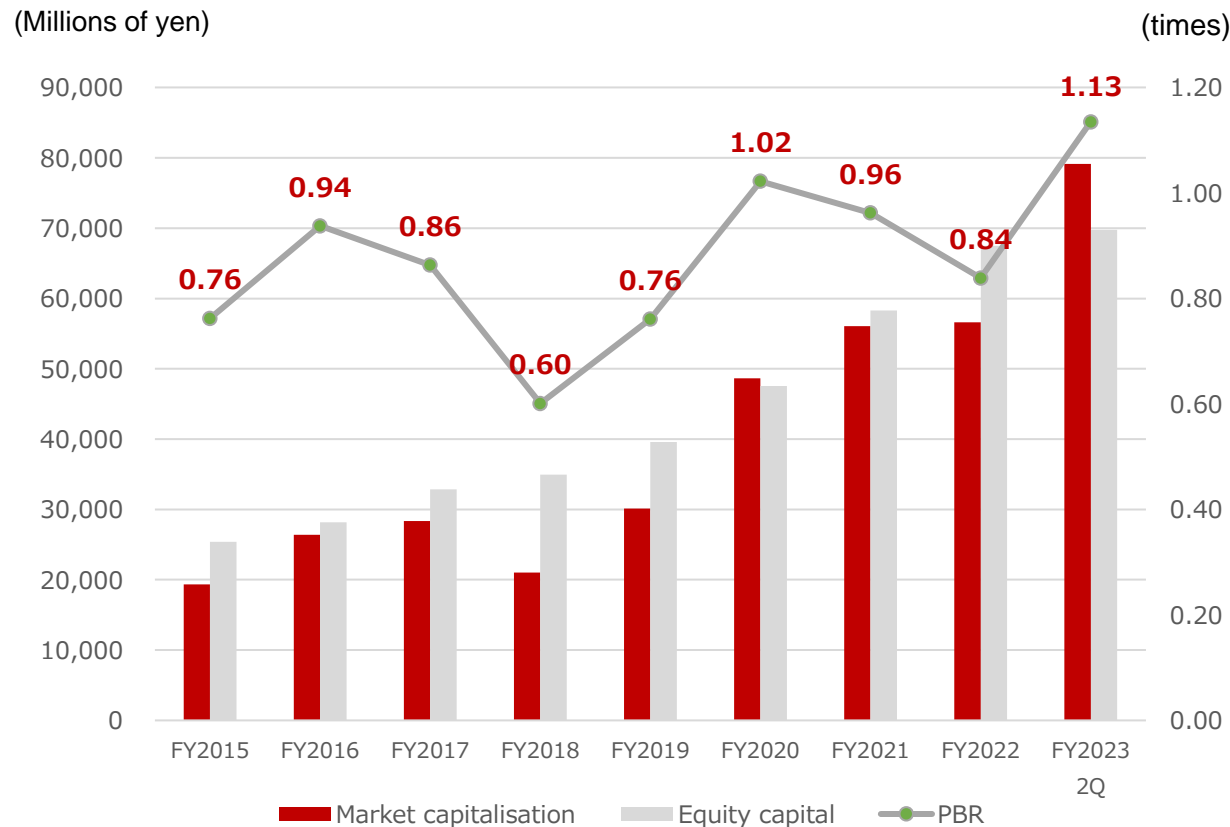
Equity	476	583	675	730~	900~
Equity ratio	36.7%	39.5%	43.1%	45%~	50%~
DE ratio	79%	67%	61%	50%~	~50%

- Continuing to reduce β value through strengthening the financial foundation, aiming to lower the cost of equity for shareholders
- Considering accumulation of equity, strengthening risk management systems, and exploring credit rating acquisition.
- Planning to achieve more than 90 billion yen in equity capital by the end of the medium-term plan period → P/B ratio of 1.2x and market capitalization of 100 billion yen
- We've reduced interest-bearing debt to under 50% DE ratio. Going forward, we'll manage debt carefully while monitoring WACC.

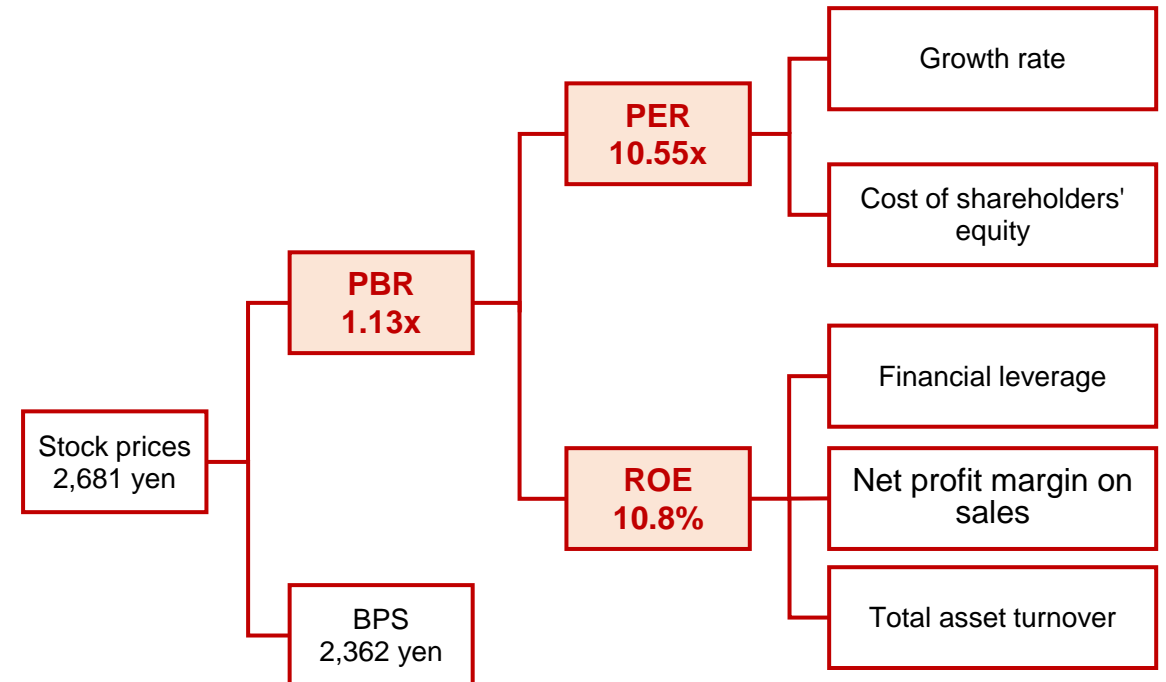
Market valuation transition and decomposition of PBR factors

In addition to improved profitability, various measures implemented in the current financial year have resulted in a PB ratio of more than 1x. However, it is assumed that the market still does not rate our growth potential highly in view of the level of our PER.

Market capitalization, equity capital, PBR



PBR factor decomposition



- * Share prices are closing prices on November 30, 2023.
- * The number of treasury shares is also calculated as at end-November.
- * Various other indicators are based on end-September balances. However, profits are based on published figures for the full year.

Enhance Price Book-value Ratio

- Aim for a PBR of around 1.2x in the near term
- Achieve high ROE while reducing capital costs and enhancing growth rates

- $PBR = ROE \times PER$

- $PBR = ROE \div (1/PER)$



- $PBR = ROE \div (\text{Cost of equity} - \text{growth rate})$

1. ROE

- Maintain ROE at a minimum of 10% going forward

2. Shareholders' equity cost

- Shareholders' equity cost is the expected return rate for investors
- Current trend shows a decline in β value
- Continue dialogue with investors
- Ensure stable management through enhanced governance and financial strength

3. Growth rate

- Continue growth investments to increase profits
- Advance Business Development strategy, including M&A and new business initiatives

Our Approach to Lowering β value

The beta value, determining the cost of equity capital, represents investors' expected rate of return

Factors causing an increase in beta values

- Concerns about earnings volatility
- Concerns about negative surprises
- information asymmetry

Our Approach

- Stable earnings growth
- Strengthen risk management and governance
- Improvement of financial structure
- Maintain financial discipline by acquiring credit ratings, etc
- Explanation of increase corporate value

Cash Allocation Approach

Growth Investments

■ Optimal capital structure

- Planning over 500 billion yen in investments during the midterm through organic (strategic investments) and inorganic (M&A) means
- Aiming for leverage effect through increased debt aligned with investments

→ WACC Control

■ Rising PER

- The key to maintaining a stable PBR of 1 or more is an increase in PER
- Emphasizing the ability to outline a growth story in both financial and capital strategy

Non-financial strategic investments

■ Human capital

- Introduced employee shareholding incentive measures “Incentive 10% → 20%, Shareholding Association Support Trust (ESOP)”
- Hiring specialized personnel to strengthen capabilities in areas such as BD strategy where there is a shortage
- Strengthen employee training

■ R&D

- Establish an R&D Headquarters to strengthen development for next-generation technologies, new products and new businesses, and develop a common infrastructure for analysis, evaluation and analysis
- Securing an annual research and development budget exceeding 2 billion yen

Shareholder Returns

■ Dividend

- To consistently implement dividends based on profits from business operations
- Ensuring a dividend payout ratio of over 30%
- Aiming for a dividend of 120 yen during the medium-term

■ Stock buy-back

- Considering implementation when our own shares are deemed undervalued
- Utilizing purchased treasury stocks for Employee Stock Ownership Plan (ESOP) and Restricted Stock for executives
- Reserved as a capital policy option for future use in the BD strategy

"Financial Strategy" Overall financial and capital strategy

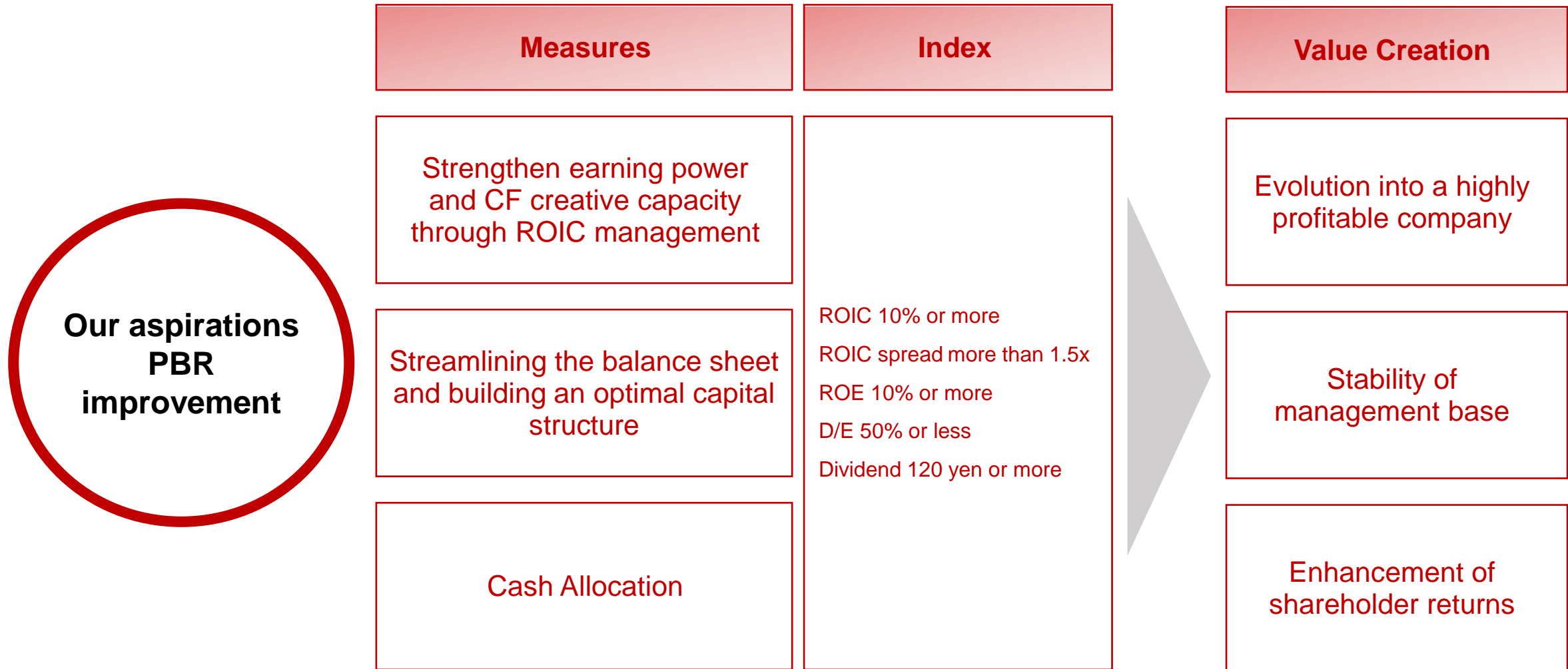


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Self-introduction

Outside Director

Member of the Audit Committee Chairman of the Nomination and Remuneration Committee

Yuji Sakakura

Brief history

- Apr.1974 Joined Nissho Iwai Corporation (now Sojitz Corporation)
- Jun.1999 President and CEO of Nissho Iwai Securities Co., Ltd
- May.2006 Director and Chief Financial Officer of GCA Corporation
- Jun.2011 External Auditor of Autobacs Seven Co., Ltd
- Mar.2014 External Auditor of Fullcast Holdings Co., Ltd
- Jun.2016 External Auditor of UKC Holdings Corporation
- Jun.2019 Current Auditor of the YuMi Memorial Foundation for Home Medical Care Grants, Public Interest Incorporated Foundation
- Dec.2019 External Auditor of Shonan Seminar Co., Ltd
- Jun.2020 Current External Director and Audit Committee Member of our company

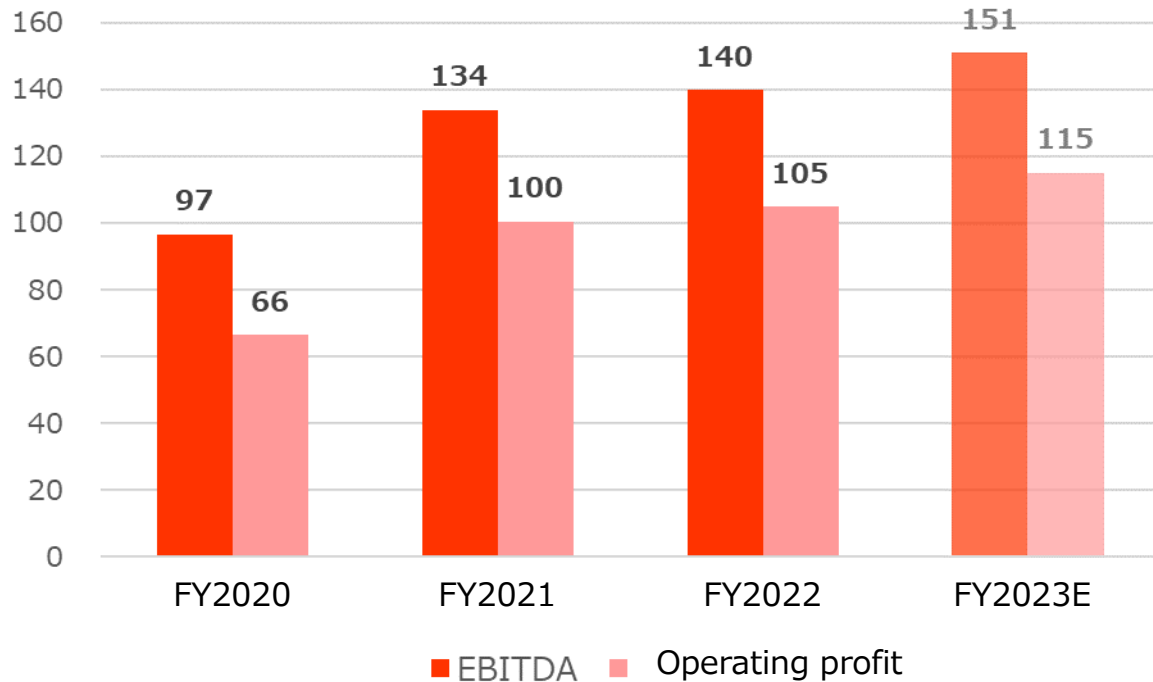


Role in our company

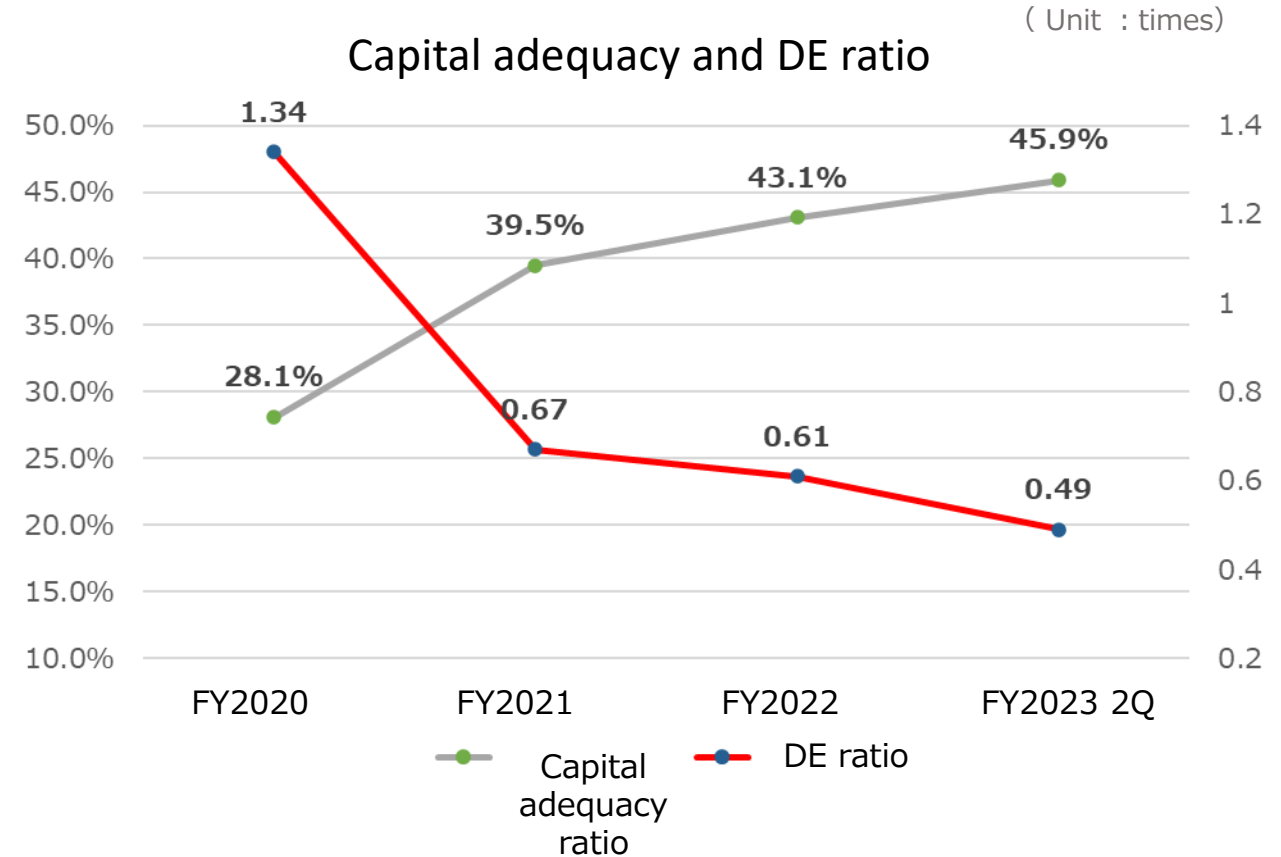
- ▣ Leveraging experience as a finance executive in a general trading company, leadership in a securities firm, and as the Chief Financial Officer of an M&A advisory firm, I oversee and supervise our company's management. Contributing to the enhancement of corporate governance within our group based on my expertise and insights
- ▣ Actively contributing in the Board of Directors discussions on the validity of business and capital strategies, as well as from a governance perspective
- ▣ Chairman of the Nomination and Remuneration Committee

Introduction of ROIC management and results to date

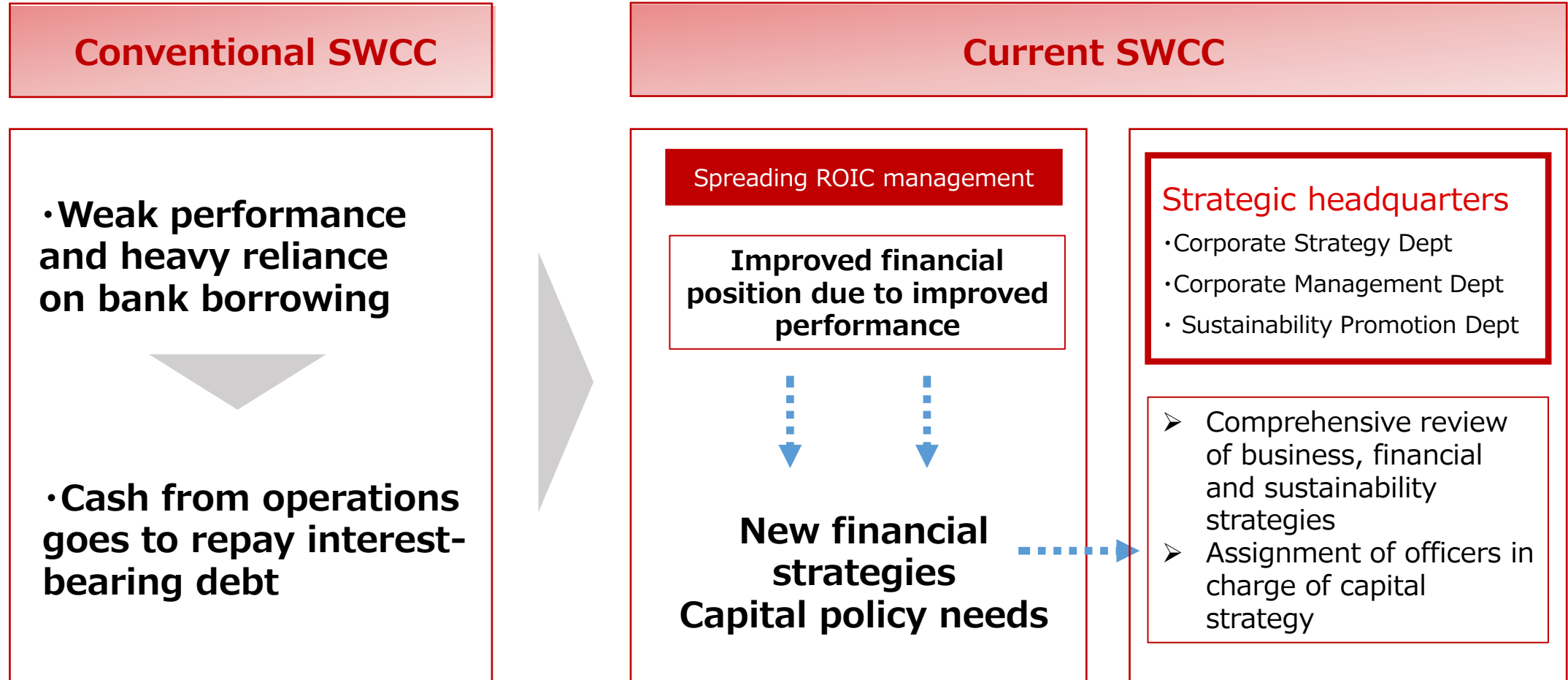
(Unit:100 million yen) Operating profit and EBITDA



Capital adequacy and DE ratio



Organisational structure for capital strategy



Discussion on the capital strategy

Officers' camps (where various topics are freely discussed)

7 April 2023

Issues and directions for financial strategy and capital policy Discussion based on the briefing by the officer in charge of capital strategy

30 September 2023

Specific measures for financial and capital strategy, discussed

- **Overall financial capital strategy**
- **Balance sheet control measures**
- **Acquisition of own shares**
- **Acquisition of ratings**

Board of directors

25 July 2023

Measures to achieve cost of capital and share price conscious management

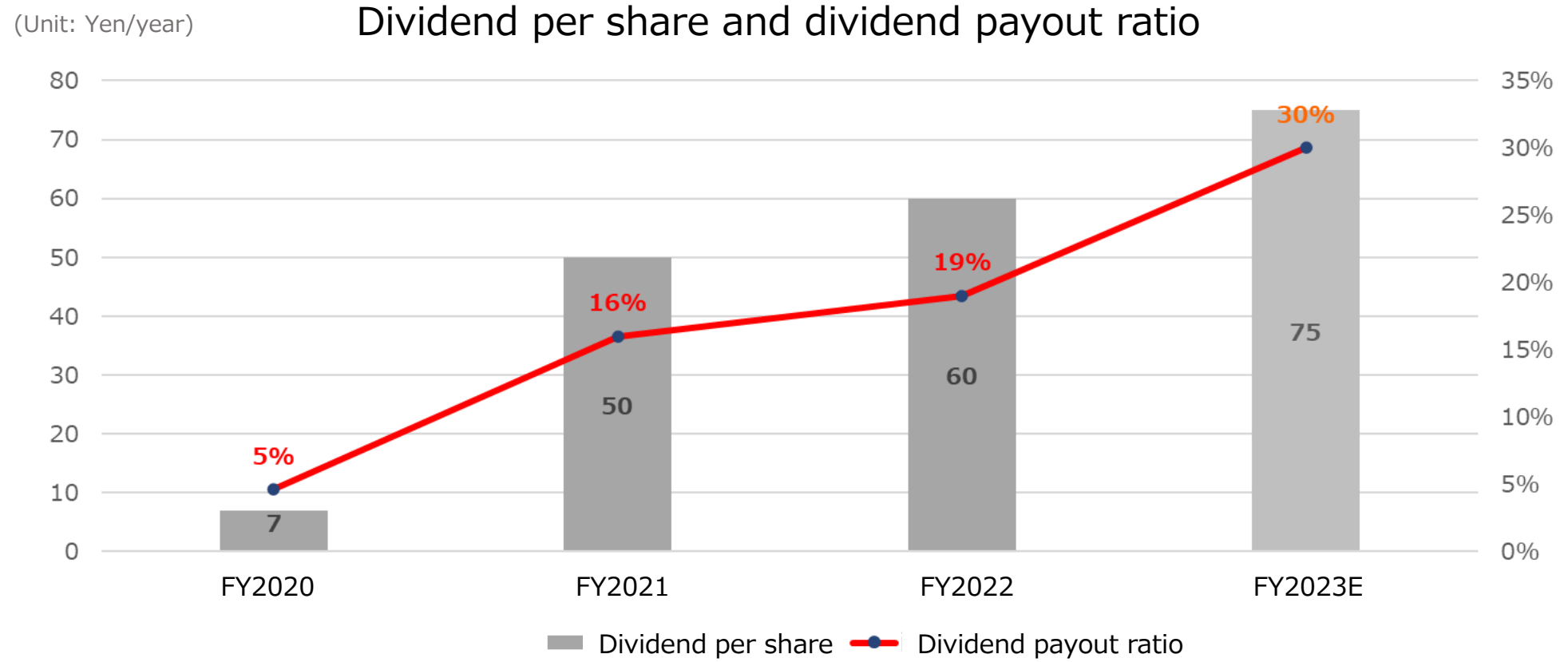
3 August 2023

Sale of policy shares (Sale of major clients)

24 October and 2 November 2023

Acquisition of own shares

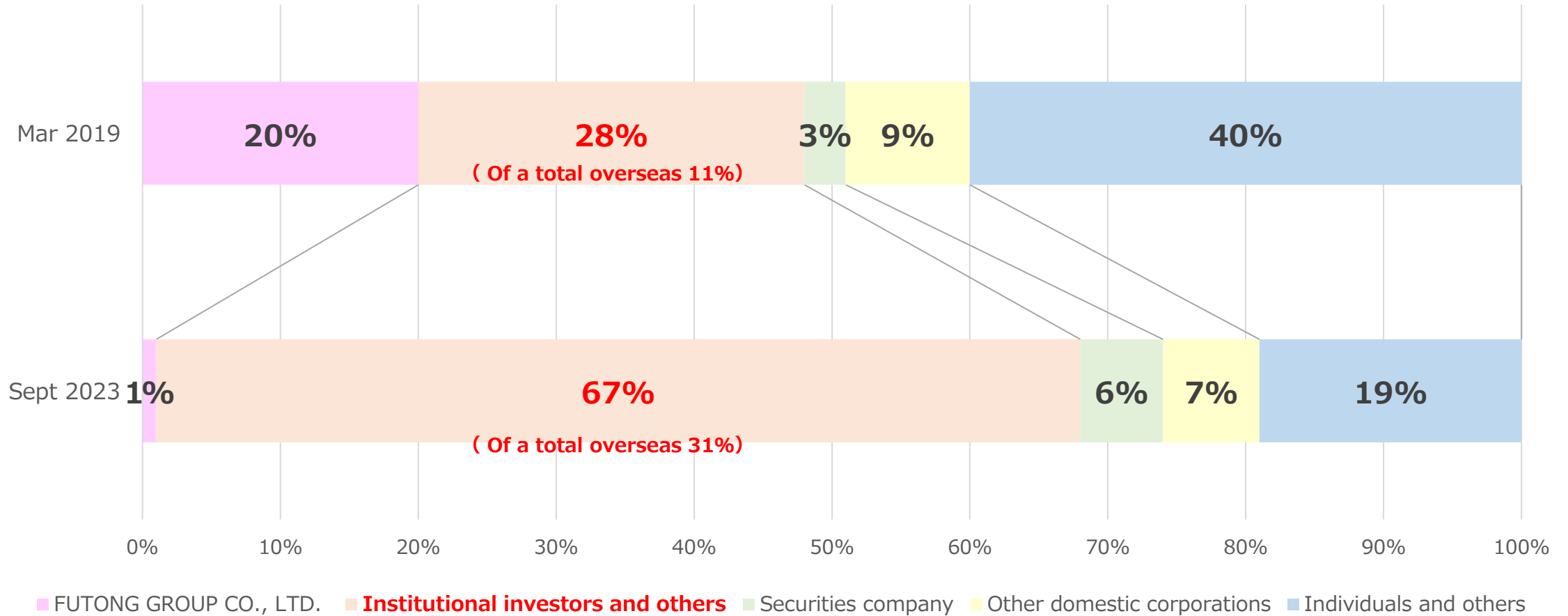
Changes in shareholder returns



※ Excluding share buybacks.

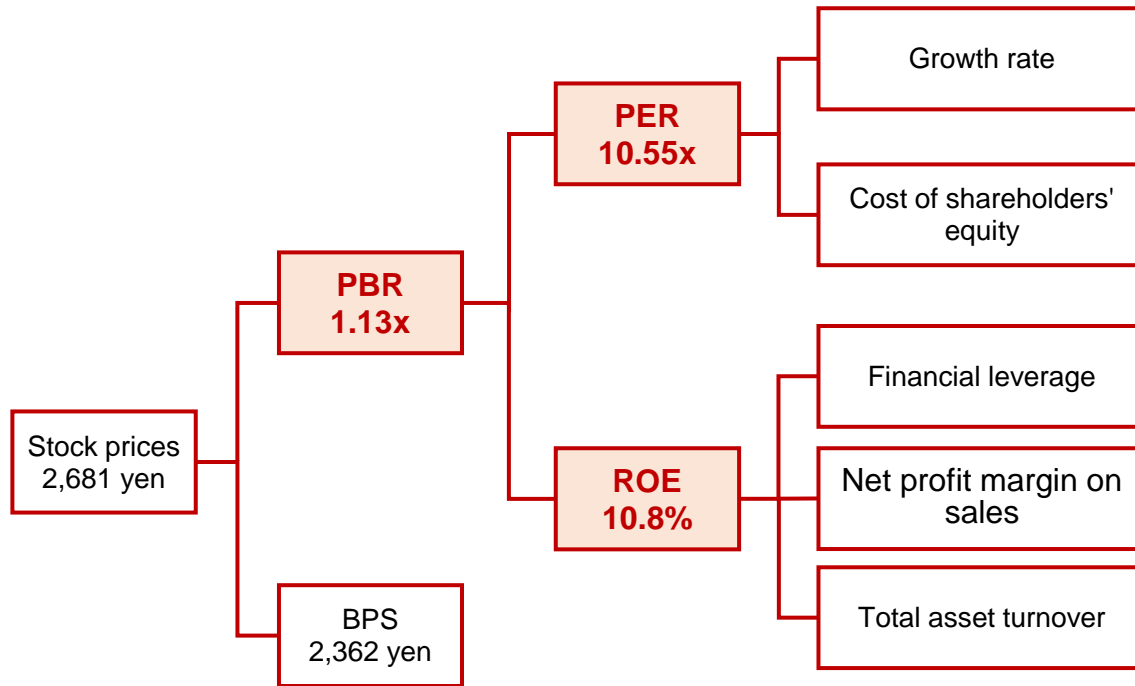
Changes in investor attributes

Changes in shareholder structure (in terms of number of shares held)



Our challenges regarding financial strategy and capital policy

PBR factor decomposition



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 * Various other indicators are based on end-September balances. However, profits are based on published figures for the full year.

- ROE is expected to remain above 10% in the future.
- PER levels rise but are still low
- Failure to meet investors' growth expectations
- Clarification and implementation of the growth story is key
- Business development strategies, including new businesses and mergers and acquisitions, are being promoted. Specific results will be disclosed in the future.

- **Strong leadership to drive structural reforms**
Issue : The importance of continued awareness-raising and succession
- **Further improvement in earnings of growth-driving businesses and efforts to create new businesses**
Issue : Speed-up to initiatives and flexibility in thinking and acting
- **Capital strategy in the growth phase**
Issue : Maintain financial discipline, optimise capital structure and enhance shareholder returns



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SWCC Corporation

<https://www.swcc.co.jp>

The forward-looking statements in this presentation are based on information available at the time of publication and involve potential risks and uncertainties.

Therefore, please be aware that a variety of factors could cause the actual results to differ materially from those projected in the statements.

Such factors that may affect actual results include economic conditions, demand trends, and fluctuations in raw material prices and exchange rates.

Factors that may affect business performance include, but are not limited to, the following.